

Combined Carve-out Financial Statements of
(Unaudited)

LAB RESEARCH SEGMENT

Periods ended June 30, 2006 and 2005

LAB RESEARCH SEGMENT

Combined Carve-Out Financial Statements
(Unaudited)

Periods ended June 30, 2006 and 2005
(in thousands of Canadian dollars)

Financial Statements

Combined Carve-Out Balance Sheets	1
Combined Carve-Out Statements of Earnings	2
Combined Carve-Out Statements of Segment Equity	3
Combined Carve-Out Statements of Cash Flows	4
Notes to Combined Carve-Out Financial Statements	5

LAB RESEARCH SEGMENT

Combined Carve-Out Balance Sheets
(Unaudited)

June 30, 2006 and December 31, 2005
(in thousands of Canadian dollars)

	June 30, 2006	December 31, 2005
		(Audited)
Assets		
Current assets:		
Cash	\$ 2,506	\$ 3,727
Accounts and other receivables	11,489	6,923
Work in progress	2,287	2,314
Prepaid expenses	985	862
	17,267	13,826
Property and equipment	18,482	17,937
Intangible assets	2,803	2,944
Other assets (note 3)	2,518	1,745
Future income taxes	535	578
	\$ 41,605	\$ 37,030
Liabilities and LAB International's Net Investment		
Current liabilities:		
Bank loan	\$ 223	\$ 432
Accounts payable and accrued liabilities	8,925	7,165
Income taxes payable	2,345	1,573
Deferred revenue	5,458	4,673
Current portion of long-term debt (note 4)	2,304	2,320
Deferred gain on sale of property	84	68
Future income taxes	258	517
Advances from companies under common control (note 6)	3,372	2,897
	22,969	19,645
Deferred rent liability	144	37
Deferred gain on sale of property	1,532	1,603
Long-term debt (note 4)	7,544	8,049
Future income taxes	2,212	1,821
LAB International's net investment:		
Segment equity	8,686	7,337
Cumulative translation adjustment	(1,482)	(1,462)
	7,204	5,875
Subsequent event (note 8)		
	\$ 41,605	\$ 37,030

See accompanying notes to unaudited combined carve-out financial statements.

Approved on behalf of the Board of Directors:

_____ Director

_____ Director

LAB RESEARCH SEGMENT

Combined Carve-Out Statements of Earnings
(Unaudited)

Periods ended June 30, 2006 and 2005
(in thousands of Canadian dollars)

	Three months ended June 30,		Six months ended June 30,	
	2006	2005	2006	2005
Revenues	\$ 12,325	\$ 12,593	\$ 24,132	\$ 21,758
Expenses:				
Direct costs	7,414	7,886	14,495	13,010
Selling, general and administrative	2,438	2,154	4,589	4,120
Allocated costs	285	275	570	550
Stock-based compensation	15	26	35	49
Amortization of property and equipment	689	715	1,323	1,261
Amortization of intangible assets	125	129	246	198
Interest on long-term debt	147	251	290	449
Foreign exchange	9	105	(77)	(93)
	11,122	11,541	21,471	19,544
Earnings before income taxes	1,203	1,052	2,661	2,214
Provision for income taxes	210	215	716	627
Net earnings	\$ 993	\$ 837	\$ 1,945	\$ 1,587

See accompanying notes to unaudited combined carve-out financial statements.

LAB RESEARCH SEGMENT

Combined Carve-Out Statements of Segment Equity
(Unaudited)

Periods ended June 30, 2006 and 2005
(in thousands of Canadian dollars)

	Three months ended June 30,		Six months ended June 30,	
	2006	2005	2006	2005
Segment equity, beginning of period	\$ 9,113	\$ 5,157	\$ 7,337	\$ 4,638
Net earnings	993	837	1,945	1,587
Net change in tax liabilities or assets of LAB Canada that will not be transferred to LAB Research Inc.	(1,435)	(410)	(631)	(664)
Additional paid-in capital relating to stock-based compensation	15	26	35	49
Segment equity, end of period	\$ 8,686	\$ 5,610	\$ 8,686	\$ 5,610

See accompanying notes to unaudited combined carve-out financial statements.

LAB RESEARCH SEGMENT

Combined Carve-Out Statements of Cash Flows
(Unaudited)

Periods ended June 30, 2006 and 2005
(in thousands of Canadian dollars)

	Three months ended June 30,		Six months ended June 30,	
	2006	2005	2006	2005
Cash flows from operating activities:				
Net earnings	\$ 993	\$ 837	\$ 1,945	\$ 1,587
Adjustments for:				
Amortization of property and equipment	689	715	1,323	1,261
Write-off of property and equipment	10	65	12	66
Amortization of intangible assets	125	129	246	198
Amortization of deferred financing fees	10	4	19	4
Stock-based compensation	15	26	35	49
Amortization of deferred gain of property	(32)	—	(55)	—
Deferred rent liability	54	—	107	—
Future income taxes	(867)	(244)	(998)	(523)
Changes in research tax credit receivable that will not be transferred by LAB Canada	(1,411)	189	(506)	190
Net changes in operating assets and liabilities (note 5 (a))	442	1,756	(840)	1,165
	28	3,477	1,288	3,997
Cash flows from financing activities:				
Proceeds from issuance of long-term debt	—	236	—	—
Repayment of long-term debt	(310)	(637)	(656)	(637)
Repayment of capital leases	(263)	—	(612)	—
Net advances from companies under common control	2,409	(2,590)	475	4,426
Proceeds from bank loan	224	38	—	—
Repayments under bank credit facilities	—	(127)	(209)	(15)
	2,060	(3,080)	(1,002)	3,774
Cash flows from investing activities:				
Business acquisitions, net of cash acquired	—	(42)	—	(6,191)
Payment of holdback payable	—	—	—	(65)
Additions to property and equipment	(708)	(536)	(1,455)	(912)
Other assets	(698)	641	(733)	634
	(1,406)	63	(2,188)	(6,534)
Net increase (decrease) in cash	682	460	(1,902)	1,237
Cash beginning of period	1,151	2,919	3,727	1,694
Effect of exchange rate changes	673	(375)	681	73
Cash end of period	\$ 2,506	\$ 3,004	\$ 2,506	\$ 3,004

Supplemental cash flow disclosure (note 5)

See accompanying notes to unaudited combined carve-out financial statements.

LAB RESEARCH SEGMENT

Notes to Combined Carve-Out Financial Statements
(Unaudited)

Periods ended June 30, 2006 and 2005
(in thousands of Canadian dollars)

1. Nature of operations and organization:

LAB Research Segment ("LAB Research" or the "Segment") provides pre-clinical and non-clinical contract research services to the pharmaceutical and biotechnology industries by performing pre-clinical studies required for the development of drugs intended to be used for the treatment of human conditions or diseases.

This business is managed as a separate operating segment within LAB International Inc. ("LAB International") and includes the operations, the assets and liabilities of LAB Pre-Clinical Research International Inc. that relate to the pre-clinical contract research services business ("LAB Canada"), and combines the financial statements of the direct and indirect wholly-owned subsidiaries of LAB International involved in the pre-clinical research services business, being Scantox, Biologisk Laboratorium A/S ("LAB Denmark"), LAB International Research Center Hungary Limited Liability Company ("LAB Hungary") and LAB Research International, Inc. ("LAB US").

LAB Research Inc. was incorporated as a wholly-owned subsidiary of LAB International on May 24, 2006 to acquire the pre-clinical contract research services business from LAB International.

Effective June 30, 2006, the following transactions were completed:

- (a) LAB Canada transferred the assets and undertakings comprising its pre-clinical contract research business as well as the shares of LAB US that it holds to LAB Research Inc. in consideration for a \$26,181 note and 101,915 common shares.
- (b) LAB International transferred all of the shares of LAB Denmark that it holds to LAB Research Inc. in consideration for the issuance of a \$14,000 note and 2,015,713 common shares;
- (c) LAB International and LAB Canada transferred the notes referred to above to 4349695 Canada Inc., a newly-created, wholly-owned subsidiary of LAB International, for common shares in the capital of 4349695 Canada Inc.;
- (d) 4349695 Canada Inc. subscribed for 12,025,226 common shares of LAB Research Inc. for \$48,101 payable by the cancellation of the notes referred to above.

LAB RESEARCH SEGMENT

Notes to Combined Carve-Out Financial Statements, Continued
(Unaudited)

Periods ended June 30, 2006 and 2005
(in thousands of Canadian dollars)

1. Nature of operations and organization (continued):

On July 27, 2006, the following transactions were completed:

- (a) LAB International transferred all of the shares in LAB Hungary that it holds to LAB Research Inc. for a consideration consisting of a note in the amount of \$7,841 and one common share;
- (b) LAB Canada transferred all of the shares of LAB Hungary that it holds to LAB Research Inc. for a consideration consisting of a note in the amount of \$79 and one common share;

LAB International will fund 50% of any working capital deficiency in the business at closing up to \$4,500 and 100% of any working capital deficiency in excess of \$4,500.

Subsequent to these transactions, LAB Research Inc. owns all of the assets and assumed the liabilities related to the pre-clinical contract research services business of LAB Canada and owns all of the outstanding shares of LAB Hungary, LAB Denmark and LAB US. The transfer of the shares of LAB Hungary is subject to registration by the Hungarian Court of Registration. Such registration has a retroactive effect to the date of execution of the agreement contemplating such transfer. The Court of Registration has no discretion to reject registration of the transfer of the shares of LAB Hungary to LAB Research Inc. if the documents submitted to the Court of Registration fully comply with Hungarian law.

On August 3, 2006, LAB Research Inc. issued 142,857 common shares, representing 1% of the issued and outstanding common shares, to its President and Chief Executive Officer, in payment for services rendered in connection with the initial public offering referred to in note 8.

As part of the corporate reorganization, LAB Research Inc. and LAB International have entered into a number of agreements. Pursuant to a Preferred Supplier Agreement to be entered upon closing of the initial public offering, a wholly-owned subsidiary of LAB International will undertake to use the services of LAB Research Inc. on an exclusive basis and for a period of 60 months for all pre-clinical research studies and related services in the field of toxicology and toxicokinetics. The price for the services to be provided by LAB Research Inc. under the agreement will be calculated on the basis of all direct costs as well as overhead and administration costs (representing 40% of direct costs) plus a profit margin to vary in accordance with the volume of services performed during any given year. The parties have also entered into a non-competition and non-solicitation agreement whereby LAB International will undertake not to, directly or indirectly, for a period of 60 months following the closing of the offering, carry on, operate or be engaged in any business in Canada, the U.S. or any country in Europe (excluding Russia, Ukraine, Romania, Belarus) which provides pre-clinical contract research services in non-human subjects in the field of toxicology and toxicokinetics. The agreement also provides that LAB International may not solicit or hire any employees of LAB Research Inc. for a period of 60 months following the closing of the offering.

LAB RESEARCH SEGMENT

Notes to Combined Carve-Out Financial Statements, Continued
(Unaudited)

Periods ended June 30, 2006 and 2005
(in thousands of Canadian dollars)

1. Nature of operations and organization (continued):

In addition, LAB Research Inc. has entered into an Information Technology Services Agreement upon closing of the offering with a company affiliated with certain directors and shareholders of LAB International pursuant to which this company will provide information technology services to LAB Research Inc. in consideration of a monthly fee of \$50. The initial term of the Agreement will be 12 months. Thereafter, any party shall be entitled to terminate the agreement upon 180 days prior written notice.

2. Interim financial statements:

The unaudited combined carve-out financial statements of LAB Research or the Segment have been prepared under Canadian generally accepted accounting principles. The unaudited combined carve-out balance sheet as at June 30, 2006 and the unaudited combined carve-out statements of earnings, segment equity and cash flows for the three and six-month periods ended June 30, 2006 and 2005 reflect all adjustments which are, in the opinion of management, necessary to a fair statement of the results of the interim periods presented. The Segment's revenues and expenses are subject to seasonal variations. Consequently, the results for any quarter are not necessarily indicative of the results for the full year. The interim combined carve-out financial statements follow the same accounting policies described in note 2 of the combined carve-out financial statements of the Segment for the year ended December 31, 2005. The interim combined carve-out financial statements do not include all disclosures required for annual financial statements and should be read in conjunction with the combined carve-out financial statements of the Segment presented in the final prospectus of the Lab Research Inc. filed on July 24, 2006. These interim financial statements have not been reviewed by the auditors.

All amounts in the attached notes are unaudited unless specifically identified.

LAB RESEARCH SEGMENT

Notes to Combined Carve-Out Financial Statements, Continued
(Unaudited)

Periods ended June 30, 2006 and 2005
(in thousands of Canadian dollars)

3. Other assets:

	June 30, 2006	December 31, 2005
		(Audited)
Long-term investments, at cost which approximates fair value	\$ 154	\$ 126
Deferred financing fees, at cost, net of accumulated amortization of \$25 (2005 - \$6)	22	41
Long-term note receivable from lessor	910	910
Term deposit pledged as security for non-revolving loan	566	645
Costs related to the filing of a prospectus in connection with the initial public offering of common shares	823	—
Other	43	23
	<u>\$ 2,518</u>	<u>\$ 1,745</u>

4. Long-term debt:

	June 30, 2006	December 31, 2005
		(Audited)
Equipment loan in Canadian dollars, bearing interest at bank prime plus 0.5%, secured by a first ranking moveable hypothec on equipment located in Canada, repayable in 60 monthly instalments of \$19	\$ 331	\$ 443
Non-revolving loan in Canadian dollars, bearing interest at bank prime plus 0.5%, secured by term deposit, repayable in monthly instalments of \$4, maturing in 2019	560	581
Balance carried forward	891	1,024

LAB RESEARCH SEGMENT

Notes to Combined Carve-Out Financial Statements, Continued
(Unaudited)

Periods ended June 30, 2006 and 2005
(in thousands of Canadian dollars)

4. Long-term debt (continued):

	June 30, 2006	December 31, 2005 (Audited)
Balance brought forward	\$ 891	\$ 1,024
Mezzanine loan in Canadian dollars, bearing interest at bank prime plus 0.5%, repayable in monthly instalments of \$11, maturing in 2009	418	483
Obligations under capital leases, bearing interest at rates ranging from 8.7% to 10.9% and repayable in monthly blended installments of \$37, maturing from November 2008 to April 2010	1,220	885
Equipment loan in Euros (2006 - €415; 2005 - €545) bearing interest at Euribor plus 2.3%, secured by a first ranking collateral mortgage on the building located in Hungary and repayable in 47 monthly installments of \$16 starting July 2005	667	750
Equipment loan in Euros (2006 - €692; 2005 - €1,092) bearing interest at Euribor plus 2.3%, secured by a first ranking collateral mortgage on the building located in Hungary and repayable in 25 monthly installments of \$66 starting September 2005	1,113	1,503
Term loan in Hungarian Forints (2006 - HUF 3,182; 2005 - HUF 3,492), bearing interest at 7.84%, secured by automotive equipment, repayable in 72 monthly instalments of \$0.3	18	19
Obligations under capital leases in Euros (2006 - €275; 2005 - €414) bearing interest at Euribor 3 months, repayable in monthly instalments of \$7, maturing in October 2010	442	570
Bank loan in Danish Kroner (2006 - DKK 18,264; 2005 - 18,482), bearing interest at the bank bond rate plus 0.06%, secured by a first ranking collateral mortgage on one building located in Denmark, repayable in blended quarterly instalments of \$48, maturing in December 2034	3,496	3,410
Bank loan in Danish Kroner (2006 - DKK 2,375; 2005 - 2,402), bearing interest at the bank bond rate plus 0.06%, secured by a first ranking collateral mortgage on one building located in Denmark, repayable in blended quarterly instalments of \$6, maturing in December 2034	455	443
Balance carried forward	8,720	9,087

LAB RESEARCH SEGMENT

Notes to Combined Carve-Out Financial Statements, Continued
(Unaudited)

Periods ended June 30, 2006 and 2005
(in thousands of Canadian dollars)

4. Long-term debt (continued):

	June 30, 2006	December 31, 2005 (Audited)
Balance brought forward	\$ 8,720	\$ 9,087
Bank loans in Danish Kroner (2006 - DKK 2,188; 2005 - 2,344), bearing interest at CIBOR plus 2.75%, secured by a second ranking collateral mortgage on one building located in Denmark, repayable in semi-annual instalments of \$30, maturing in April and July 2013	419	433
Bank loan in Danish Kroner (2006 - nil; 2005 - 200), bearing interest at 6%, secured by second ranking collateral mortgage on one building located in Denmark, matured in April 2006	-	33
Bank loans in Danish Kroner (DKK 2,223; 2005 - 2,457), secured by second ranking collateral mortgage on one building located in Denmark, bearing interest at 6%, repayable in quarterly instalments of \$22, maturing in January 2011	331	358
Bank loan in Danish Kroner (2006 - DKK 1,971; 2005 - 2,077), secured by second ranking collateral mortgage on one building located in Denmark, bearing interest at 6%, repayable in quarterly instalments of \$10, maturing in September 2015	260	268
Obligation under capital lease in Danish Kroner (2006 - DKK 344; 2005 - 505), bearing interest at 3.5% and repayable in monthly blended instalments of \$9, maturing in July 2008	66	97
Obligation under capital lease in Danish Kroner (2006 - DKK 273; 2005 - 525), bearing interest at 5.3% and repayable in quarterly blended instalments of \$7, maturing in February 2007	52	93
	9,848	10,369
Current portion of long-term debt	2,304	2,320
	\$ 7,544	\$ 8,049

LAB RESEARCH SEGMENT

Notes to Combined Carve-Out Financial Statements, Continued
(Unaudited)

Periods ended June 30, 2006 and 2005
(in thousands of Canadian dollars)

4. Long-term debt (continued):

As security for the bank loan as well as the equipment loan, non-revolving loan and mezzanine loan denominated in Canadian dollars, LAB Research has granted the creditor with a first ranking movable hypothec over the universality of the assets of LAB Canada and security on the term deposit.

5. Supplemental information:

(a) Net changes in operating assets and liabilities:

	Three months ended June 30,		Six months ended June 30,	
	2006	2005	2006	2005
Accounts and other receivables	\$ (2,329)	\$ (1,399)	\$ (4,566)	\$ (2,265)
Work in progress	(343)	1,113	27	(1,148)
Prepaid expenses	990	(1,050)	(123)	(572)
Long-term work in progress	-	-	-	259
Accounts payable and accrued liabilities	2,356	3,547	1,760	2,565
Income tax payable	887	(205)	1,277	(223)
Deferred revenue	(1,119)	(250)	785	2,549
	\$ 442	\$ 1,756	\$ (840)	\$ 1,165

(b) Cash paid for:

	Three months ended June 30,		Six months ended June 30,	
	2006	2005	2006	2005
Interest	\$ 127	\$ 199	\$ 272	\$ 467

(c) Non-cash transactions:

	Three months ended June 30,		Six months ended June 30,	
	2006	2005	2006	2005
Property and equipment financed through capital leases	\$ 263	\$ 693	\$ 480	\$ 693

LAB RESEARCH SEGMENT

Notes to Combined Carve-Out Financial Statements, Continued
(Unaudited)

Periods ended June 30, 2006 and 2005
(in thousands of Canadian dollars)

5. Supplemental information (continued):

(d) Direct costs are net of related tax credits. The related tax credits were as follows:

	Three months ended June 30,		Six months ended June 30,	
	2006	2005	2006	2005
Research tax credits	\$ 1,100	\$ 554	\$ 1,642	\$ 1,031

6. Related party transactions:

	Three months ended June 30,		Six months ended June 30,	
	2006	2005	2006	2005
Companies under common control:				
Revenues	\$ 626	\$ 112	\$ 1,433	\$ 547
Directs costs	281	74	728	290
Other:				
Professional services rendered by firms connected with directors	7	—	34	25

Advances from companies under common control were \$3,372 at June 30, 2006 and \$2,897 at December 31, 2005. Advances from companies under common control are non-interest bearing and have no specified terms of repayment.

These transactions are measured at the exchange amount which is the consideration established and agreed to by the related parties.

LAB RESEARCH SEGMENT

Notes to Combined Carve-Out Financial Statements, Continued
(Unaudited)

Periods ended June 30, 2006 and 2005
(in thousands of Canadian dollars)

7. Segment disclosures:

LAB Research has three reportable segments: North America comprising LAB Canada and LAB US, LAB Denmark and LAB Hungary. The activities of these segments are described in note 1 to the combined carve-out financial statements. The accounting policies of the segments are the same as those described in the summary of significant accounting policies in our 2005 annual combined carve-out financial statements presented in the final prospectus of LAB Research Inc. filed on July 24, 2006.

Three-month period ended June 30, 2006				
	LAB North America	LAB Denmark	LAB Hungary	Total
Revenues				
Third parties	\$ 4,197	\$ 6,083	\$ 1,419	\$ 11,699
Related parties	–	17	609	626
Direct costs	2,320	4,063	1,031	7,414
Selling, general and administrative	1,120	879	439	2,438
Allocated costs	158	47	80	285
Stock-based compensation	12	3	–	15
Amortization of property and equipment	224	315	150	689
Amortization of intangible assets	–	125	–	125
Interest on long-term debt	53	63	31	147
Foreign exchange	(6)	(12)	27	9
Income taxes provision (recovery)	226	(2)	(14)	210
Net earnings	90	619	284	993

LAB RESEARCH SEGMENT

Notes to Combined Carve-Out Financial Statements, Continued
(Unaudited)

Periods ended June 30, 2006 and 2005
(in thousands of Canadian dollars)

7. Segment disclosures (continued):

Three-month period ended June 30, 2005				
	LAB North America	LAB Denmark	LAB Hungary	Total
Revenues				
Third parties	\$ 5,093	\$ 5,610	\$ 1,778	\$ 12,481
Related parties	–	–	112	112
Direct costs	2,973	3,863	1,050	7,886
Selling, general and administrative	888	828	438	2,154
Allocated costs	161	70	44	275
Stock-based compensation	11	2	13	26
Amortization of property and equipment	264	319	132	715
Amortization of intangible assets	–	129	–	129
Interest on long-term debt	86	97	68	251
Foreign exchange	207	12	(114)	105
Income taxes provision	91	117	7	215
Net earnings	412	173	252	837

Six-month period ended June 30, 2006				
	LAB North America	LAB Denmark	LAB Hungary	Total
Revenues				
Third parties	\$ 8,849	\$ 11,296	\$ 2,554	\$ 22,699
Related parties	–	54	1,379	1,433
Direct costs	4,967	7,400	2,128	14,495
Selling, general and administrative	2,098	1,673	818	4,589
Allocated costs	323	120	127	570
Stock-based compensation	28	7	–	35
Amortization of property and equipment	434	593	296	1,323
Amortization of intangible assets	–	246	–	246
Interest on long-term debt	104	122	64	290
Foreign exchange	(5)	(64)	(8)	(77)
Income taxes provision	417	241	58	716
Net earnings	483	1,012	450	1,945

LAB RESEARCH SEGMENT

Notes to Combined Carve-Out Financial Statements, Continued
(Unaudited)

Periods ended June 30, 2006 and 2005
(in thousands of Canadian dollars)

7. Segment disclosures (continued):

Six-month period ended June 30, 2005				
	LAB North America	LAB Denmark	LAB Hungary	Total
Revenues				
Third parties	\$ 9,321	\$ 8,907	\$ 2,983	\$ 21,211
Related parties	–	–	547	547
Direct costs	5,221	5,718	2,071	13,010
Selling, general and administrative	1,737	1,522	861	4,120
Allocated costs	329	130	91	550
Stock-based compensation	28	2	19	49
Amortization of property and equipment	493	503	265	1,261
Amortization of intangible assets	–	198	–	198
Interest on long-term debt	170	162	117	449
Foreign exchange	12	12	(117)	(93)
Income taxes provision	263	357	7	627
Net earnings	1,068	303	216	1,587

Revenues were derived from customers located in the following geographic areas:

	June 30, 2006	June 30, 2005
United States	\$ 6,961	\$ 8,245
Denmark	5,120	3,425
Canada	1,867	3,045
Germany	2,212	1,044
Spain	572	12
United Kingdom	521	1,581
Sweden	1,269	987
Switzerland	1,482	492
Australia	337	716
Korea	259	328
Hungary	179	257
France	11	482
Belgium	428	106
Norway	220	196
Austria	221	38
Asia - other	645	583
Finland	1,452	221
Europe - other	376	–
	\$ 24,132	\$ 21,758

LAB RESEARCH SEGMENT

Notes to Combined Carve-Out Financial Statements, Continued
(Unaudited)

Periods ended June 30, 2006 and 2005
(in thousands of Canadian dollars)

7. Segment disclosures (continued):

Property and equipment and intangible assets by geographic areas are as follows:

	June 30, 2006	December 31, 2005
		(Audited)
Denmark	\$ 12,296	\$ 11,962
Canada	4,029	3,728
Hungary	4,689	4,879
United States	271	312
	\$ 21,285	\$ 20,881

	June 30, 2006	December 31, 2005
		(Audited)
Segmented assets:		
Denmark	\$ 18,056	\$ 17,674
Canada	15,769	11,223
Hungary	6,957	7,373
United States	823	760
	\$ 41,605	\$ 37,030

	Three months ended June 30,		Six months ended June 30,	
	2006	2005	2006	2005
Expenditures for segment property and equipment and intangibles assets:				
Denmark	\$ 430	\$ 272	\$ 729	\$ 14,895
Canada	-	197	225	279
Hungary	278	-	501	169
United States	-	67	-	67
	\$ 708	\$ 536	\$ 1,455	\$ 15,410

Expenditures for segment property and equipment for the six-month period ended June 30, 2005 include long-lived assets purchased through the acquisition of LAB Denmark.

LAB RESEARCH SEGMENT

Notes to Combined Carve-Out Financial Statements, Continued
(Unaudited)

Periods ended June 30, 2006 and 2005
(in thousands of Canadian dollars)

8. Subsequent event:

Initial public offering and secondary offering:

On July 24, 2006, LAB Research Inc. entered into an underwriting agreement for the issuance and sale of 3,750,000 common shares at an offering price of \$4.00 per share. The proceeds of the offering to LAB Research Inc. will be \$15,000, before deducting estimated expenses of \$1,699.

In addition, LAB International will sell 6,250,000 common shares it holds in LAB Research Inc. at a price of \$4.00 per share, for aggregate proceeds of \$25,000. LAB International has also granted the underwriters an over-allotment option pursuant to which the underwriters can acquire up to 1,500,000 common shares, representing 15% of the number of common shares offered by LAB International and LAB Research Inc., to cover over-allotments, if any, and for market stabilization purposes. The over-allotment option may be exercised at the offering price for a period of 30 days from the date of closing of the offering.